

By: Ellis

S.B. No. 1618

A BILL TO BE ENTITLED

AN ACT

relating to regulation of certain life insurance.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 1101, Insurance Code, as effective June 1, 2003, is amended by adding Subchapters E and F to read as follows:

SUBCHAPTER E. CERTAIN POLICIES WITH SMALL FACE VALUE

Sec. 1101.201. APPLICABILITY. (a) This subchapter applies to each insurer authorized to write life insurance under Chapter 841, 882, 884, or 982. This subchapter does not apply to an insurer operating under Chapter 881, 885, 886, 887, or 888 or an insurer exempt under Section 887.102.

(b) This subchapter applies to any individual or group life insurance policy, other than a term life insurance policy, issued in this state, including an industrial insurance policy offered under Chapter 1151.

Sec. 1101.202. FACE AMOUNT. This subchapter applies only to a life insurance policy issued in this state with an initial face amount of \$15,000 or less.

Sec. 1101.203. REQUIRED INCREASE IN DEATH BENEFIT. (a) A life insurance policy that provides a death benefit of \$2,000 or less must include an option for the insured to increase the death benefit to not more than \$15,000.

(b) The insurer must provide the additional death benefit

1 required by this section:

2 (1) without evidence of insurability; and

3 (2) at the insurer's current applicable rates for
4 issuance of a new policy to the insured at the insured's age at the
5 time the option is exercised.

6 (c) The exercise of an option under Subsection (a) may not
7 result in a reduction of the cash value of the life insurance
8 policy.

9 Sec. 1101.204. PROHIBITION: ISSUANCE OF SUBSEQUENT
10 POLICY. An insurer that issues a life insurance policy that
11 provides a death benefit of \$2,000 or less and that includes the
12 option to increase coverage required by Section 1101.203 may not
13 issue a subsequent life insurance policy that provides a death
14 benefit of \$2,000 or less to the same insured.

15 Sec. 1101.205. PAYMENT PERIOD FOR CERTAIN LIFE INSURANCE
16 POLICIES. (a) For a life insurance policy on which the total
17 amount of premiums paid under payment terms offered for the policy,
18 minus cash dividends received under the policy, could exceed 150
19 percent of the policy's face value, the insurer shall also offer the
20 applicant for the policy a payment period established by the
21 commissioner under Subsection (b).

22 (b) The commissioner by rule shall establish periods for the
23 payment of premiums on a policy described by Subsection (a) at the
24 end of which the policy is paid up.

25 Sec. 1101.206. MAXIMUM AMOUNT OF PREMIUMS PAID. (a) An
26 insurer may not charge or collect premiums for a life insurance
27 policy that in the aggregate, less dividends paid in cash, exceed

1 the amount computed under this section by multiplying the amount of
2 the maximum death benefit available under the policy by the
3 appropriate numerical factor associated with the age of the insured
4 at the time the policy is issued.

5 (b) If the policy is issued before the insured reaches the
6 insured's 21st birthday, the numerical factor is 1.5.

7 (c) If the policy is issued on or after the insured's 21st
8 birthday but before the insured reaches the insured's 46th
9 birthday, the numerical factor is computed by:

10 (1) subtracting 20 from the age of the insured in whole
11 years as of the insured's most recent birthday;

12 (2) multiplying the result computed under Subdivision
13 (1) by 0.04; and

14 (3) adding 1.5 to the result computed under
15 Subdivision (2).

16 (d) If the policy is issued on or after the insured's 46th
17 birthday but before the insured reaches the insured's 65th
18 birthday, the numerical factor is computed by:

19 (1) subtracting 45 from the age of the insured in whole
20 years as of the insured's most recent birthday;

21 (2) multiplying the result computed under Subdivision
22 (1) by 0.05; and

23 (3) adding 2.5 to the result computed under
24 Subdivision (2).

25 (e) If the policy is issued on or after the insured's 65th
26 birthday but before the insured reaches the insured's 86th
27 birthday, the numerical factor is 3.5.

1 (f) If the policy is issued on or after the insured's 86th
2 birthday but before the insured reaches the insured's 89th
3 birthday, the numerical factor is computed by:

4 (1) subtracting 85 from the age of the insured in whole
5 years as of the insured's most recent birthday;

6 (2) multiplying the result computed under Subdivision
7 (1) by 0.18; and

8 (3) subtracting the result computed under Subdivision
9 (2) from 3.5.

10 (g) If the policy is issued on or after the insured's 89th
11 birthday but before the insured reaches the insured's 96th
12 birthday, the numerical factor is computed by:

13 (1) subtracting 85 from the age of the insured in whole
14 years as of the insured's most recent birthday;

15 (2) multiplying the result computed under Subdivision
16 (1) by 0.18; and

17 (3) subtracting the result computed under Subdivision
18 (2) from 3.51.

19 (h) If the policy is issued on or after the insured's 96th
20 birthday but before the insured reaches the insured's 99th
21 birthday, the numerical factor is computed by:

22 (1) subtracting 85 from the age of the insured in whole
23 years as of the insured's most recent birthday;

24 (2) multiplying the result computed under Subdivision
25 (1) by 0.18; and

26 (3) subtracting the result computed under Subdivision
27 (2) from 3.52.

1 (i) If the policy is issued on or after the insured's 99th
2 birthday, the numerical factor is 1.

3 Sec. 1101.207. EFFECT OF PAYING MAXIMUM PREMIUMS. When the
4 aggregate premiums paid for a life insurance policy reach the
5 maximum amount computed under Section 1101.206, the life insurance
6 policy becomes a paid-up policy.

7 Sec. 1101.208. MINIMUM DISCLOSURE REQUIREMENTS--APPLICANT
8 FOR INSURANCE COVERAGE. (a) At a minimum, an insurer subject to
9 this subchapter shall disclose to an applicant for a life insurance
10 policy:

11 (1) the death benefit under the policy;

12 (2) the annual premium for the policy;

13 (3) the cumulative premium for the policy paid at
14 intervals of 5, 10, and 20 years;

15 (4) the year in which cumulative premiums will exceed
16 the death benefit; and

17 (5) the possible advantages to the applicant of
18 coverage under a single policy with a larger face amount rather than
19 several smaller policies.

20 (b) For a guaranteed issue life insurance policy, the
21 insurer shall provide in the disclosure statement, in addition to
22 the information required under Subsection (a), a statement to the
23 applicant regarding the effect of good health on the cost of the
24 coverage provided under the policy and the possible advantages of
25 alternative insurance products.

26 Sec. 1101.209. APPLICANT'S RIGHT TO CANCEL. Each
27 applicant for coverage under a life insurance policy has the right

1 to cancel the policy and obtain a refund of any premium paid before
2 the 31st day after the date of issuance of the policy. The insurer
3 shall provide each applicant for insurance coverage under a life
4 insurance policy written notice of the 30-day right to cancel.

5 Sec. 1101.210. TIMING OF DISCLOSURE TO APPLICANT. An
6 insurer that issues a life insurance policy shall provide the
7 disclosure and notice prescribed by Sections 1101.208 and 1101.209
8 on receipt of the application for coverage, and again not later than
9 the date on which the policy is delivered.

10 Sec. 1101.211. MINIMUM DISCLOSURE
11 REQUIREMENTS--POLICYHOLDER AND INSURED. At a minimum, an insurer
12 shall disclose to the holder of a life insurance policy and to each
13 insured under the policy:

- 14 (1) the death benefit under the policy;
15 (2) the annual premium for the policy;
16 (3) the cumulative premium for the policy paid as of
17 the date of the disclosure;
18 (4) the cash value of the policy, if any; and
19 (5) the year in which cumulative premiums will exceed
20 the death benefit.

21 Sec. 1101.212. TIMING OF DISCLOSURE TO POLICYHOLDER AND
22 INSURED. (a) An insurer that issues a life insurance policy shall
23 provide the disclosure prescribed by Section 1101.211 at the time
24 that, on payment of the next premium under the policy, the
25 cumulative premiums paid will exceed the face amount of the policy.

26 (b) The insurer shall also provide the required disclosure
27 to each policyholder and insured on:

1 (1) the first anniversary of the date of the initial
2 delivery of the policy; and

3 (2) every subsequent five-year anniversary of the date
4 of the initial delivery of the policy.

5 Sec. 1101.213. EFFECT OF RIDERS. For purposes of Sections
6 1101.208-1101.212, cumulative premiums include premiums paid for
7 riders. However, the face amount of a life insurance policy does
8 not include the benefit attributable to the riders.

9 Sec. 1101.214. RULES. (a) The commissioner may adopt rules
10 necessary to implement this subchapter.

11 (b) The commissioner by rule shall prescribe the format of
12 the disclosure statements required under Sections 1101.208 and
13 1101.211 and the notice required under Section 1101.209.

14 SUBCHAPTER F. UNCLAIMED BENEFITS UNDER CERTAIN POLICIES

15 Sec. 1101.251. APPLICABILITY. (a) This subchapter applies
16 to each insurer authorized to write life insurance in this state
17 operating under Chapter 841, 882, 884, or 982. This subchapter does
18 not apply to an insurer operating under Chapter 881, 885, 886, 887,
19 or 888, or an insurer exempt under Section 887.102.

20 (b) This subchapter applies to any individual or group life
21 insurance policy, other than a term life insurance policy, issued
22 in this state, including an industrial insurance policy offered
23 under Chapter 1151.

24 Sec. 1101.252. DUE DILIGENCE STANDARDS. The commissioner
25 shall adopt rules as necessary to define minimum standards of due
26 diligence that an insurer must exercise relating to the payment of
27 unclaimed benefits payable on the death of an insured who is covered

1 under more than one life insurance policy issued by the insurer.

2 SECTION 2. Not later than January 1, 2004, the commissioner
3 of insurance shall adopt rules as required by Sections 1101.214(b)
4 and 1101.252, Insurance Code, as added by this Act.

5 SECTION 3. This Act takes effect September 1, 2003, and
6 applies only to an insurance policy that is delivered on or after
7 that date. A policy that is delivered before September 1, 2003, is
8 governed by the law as it existed immediately before the effective
9 date of this Act, and that law is continued in effect for that
10 purpose.